In the Matter Of:

NYC TEACHERS'S RETIREMENT SYSTEM

INVESTMENT MEETING

December 05, 2013

NEW YORK CITY TEACHERS' RETIREMENT SYSTEM
INVESTMENT MEETING
held on Thursday, December 5, 2013
at
55 Water Street
New York, New York

ATTENDEES:

MELVYN AARONSON, Chairperson, Trustee
SANDRA MARCH, Trustee
MONA ROMAIN, Trustee
JOHN LIU, Trustee, Comptroller's Office
THADDEUS McTIGUE, Trustee, Comptroller's Office
PATRICIA REILLY, Executive Director, TRS
CHARLOTTE BEYER, Trustee, Finance
JUSTIN HOLT, Trustee, Finance
JANICE EMERY, Trustee, Finance
SUSAN STANG, TRS
JOEL GILLER, TRS
LIZ CALDAS, Comptroller's Office
ADI DIVGI, Comptroller's Office
CAROL EGLOW-SUSSMAN, Comptroller's Office
MARTIN GANTZ, Comptroller's Office
SEEMA HINGORANI, Comptroller's Office
JANET LONDONO-VALLE, Comptroller's Office
DAVID JETER, Comptroller's Office
DAVID MORRIS, Comptroller's Office
MARC KATZ, TRS
PAUL RAUCCI, TRS
ROBERT C. NORTH, JR., Actuary
ROBIN PELLISH, Rocaton
MICHAEL FULVIO, Rocaton
RENEE PEARCE
STEVE BURNS, Townsend
STEVE NOVICK, Courtland

P R O C E E D I N G S

(Time noted: 10:00 a.m.)

CHAIRPERSON AARONSON: Ms. Reilly?

MS. REILLY: Good morning. Welcome to the December 5, 2013 investment meeting of the Teachers' Retirement System of the City of New York. I will start by calling the roll.

Mel Aaronson?

CHAIRPERSON AARONSON: Here.

MS. REILLY: Justin Holt?

He'll be right back.

Charlotte Beyer?

MS. BEYER: Here.

MS. REILLY: Sandra March?

MS. MARCH: Present.

MS. REILLY: John Liu?

MR. LIU: Here.

MS. REILLY: Mona Romain?

CHAIRPERSON AARONSON: Mona is rushing to get here, but because of the fog she didn't want to cause any accidents.

MS. REILLY: Joseph Lewis?

(No response.)

I'll turn it over to the Chairman.

CHAIRPERSON AARONSON: Thank you very much, Pat.

Today is a very auspicious day for the retirement board. It's fortunate that Mr. Liu is able to attend this meeting. He doesn't know that as this is his first meeting, he is responsible for opening and closing doors when people come in.

(Laughter.)

Anyhow, I know he wants to make some remarks. Before he does, I have to say that the service that John has performed for this board and the City of New York for the last four years has been just wonderful and superlative; and I know that I'm going to ask that on our board meeting agenda for December 19, that we have on our agenda a resolution thanking John for his wonderful, wonderful service.

Okay, John.

MR. LIU: So, I don't know what to say, Mel, thank you very much. I am delighted to be back at TRS for my second meeting.

(Laughter.)

Although the first meeting was almost four years ago, it feels like it was just yesterday, gone by very quickly. And this board had led the way in many ways, in terms of reforms that we have rendered to the pension funds and asset management.

First and foremost, I want to thank the board of the Teachers' Retirement System for all the things you've done over the years, and particularly our UFT representatives, the representatives of Mayor Bloomberg and my office as well.

And just on a personal note, I want to say that it's been a fabulous four years that I had the privilege of serving as City Comptroller. We've saved coming up on $5 billion through our audits and contract reviews, and we've created thousands of jobs by accelerating some of our capital construction plans.

And working together with the trustees, our investment portfolio across all five funds, and certainly with Teachers leading the way, we are up over the past four fiscal years 58 percent. Since January 2010, we're up about 50 percent; our assets have just crossed the $150 billion threshold.

Did I get it right, Seema?

MS. HINGORANI: Yes.

(Laughter.)

MR. LIU: So it's been a terrific ride for me. And I will say that I'm beyond anything I imagined would happen in my lifetime, growing up in New York City as an immigrant, not expecting that I or someone like me would run for office, let alone get elected New York City Comptroller and be a candidate for Mayor of New York. It's an awesome city, a city I owe a debt of gratitude to and I want to keep giving back.

So though I may not be in office next year, I'm not going anywhere. And to the extent that this board could use some form of assistance or opinion or expertise from me, just give me a holler.

I gained a lot of my expertise early on by studying the great work of our wonderful actuary, Bob North, who was the subject of many of my actuarial exams. And I want to thank Bob for his continued service to our great city. He and I had a wonderful meeting just the other day, talking about our pension and health care issues.

Thank you, Bob.

MR. NORTH: Thank you.

MR. LIU: And I certainly want to take time to thank my staff and the Bureau of Asset Management. These are professionals who are very much committed to the well-being of our pension funds, the pensioners and beneficiaries and in turn our taxpayers.

Thanks, Seema, for hitting the ground running as our new chief financial officer. And I want to thank in his absence Larry Schloss, who has been a terrific addition to the government of New York City at least for about four years.

(Ms. Romain entered the meeting room.)

MR. LIU: Finally, I want to give special thanks once again to our UFT representatives, Mel, Sandy and Mona, who sat me down before I even took office and basically told me what to do.

(Laughter.)

They didn't tell me what to do, they taught me what needed to be done. And so I certainly want to thank them. Thank you so much for everything.

CHAIRPERSON AARONSON: You are very, very welcome.

(Applause.)

MS. MARCH: I would just like to say thank you, John, for leading the way. Because as a long time trustee rather than an old trustee, you really led the way. Your selection of Larry Schloss as our CIO, what it did to our funds is quite evident.

But one of the things I just want to tell you as an educator, Larry was truly also an educator, because you'd be very proud of the Comptroller staff sitting in this room. Because he taught them and he led them and he let them go free, and they did an absolutely superb job advising this board. Considering the fact that we gave you the right to be our investment advisor, let me tell you they advised us well under his leadership and they all took their roles.

But remember, John, you were the leader of this group, and we thank you and the four years has absolutely been great for the system, and I did hope it was good for you.

MR. LIU: I had a great time.

Thank you, Sandy.

MS. ROMAIN: Sorry I'm late.

(Laughter.)

MR. LIU: You were eagerly anticipated.

MS. ROMAIN: It was truly a pleasure. I want to echo what Sandy said. The professionalism of BAM, everything they did under your leadership was surely appreciated. Thank you.

MR. LIU: Thank you.

CHAIRPERSON AARONSON: You have another meeting, it's my understanding?

MR. LIU: Mister Chairman, if I may be excused, I want to wish everyone a wonderful holiday season. I believe I'll be seeing most of you, if not all of you, at various holiday functions over the next couple of weeks. Have a wonderful meeting. Thank you so much, everybody.

MS. MARCH: Thank you.

CHAIRPERSON AARONSON: Thank you.

(Comptroller Liu left the room.)

CHAIRPERSON AARONSON: We'll move on to the agenda, public pension first.

MS. HINGORANI: We're going to start with the quarterly review of September, and I will turn it over to Martin to begin.

MR. GANTZ: Good morning, Mr. Chairman, Trustees.

This is a good quarterly report. What I mean by good, the markets went up and the pension funds made a lot of money. You will remember, we ended the last quarter in June with a lot of uncertainty in the market. "Tapering" was the word added to the lexicon because the Fed was considering reducing the bond buying program, and it upset virtually all markets including the Treasury markets, and June was a rough month at the end of the quarter.

But as July started the markets calmed down as the markets realized the tapering process is likely not to be imminent. In fact, it continues to this day. As a result, risky assets climbed significantly, and what that means is, for the quarter U.S. Equity markets returns are up over 6 percent. EAFE returns just for the quarter were up over 11 percent. And even emerging manrkets which were down negative prior to that were up over 5 percent.

In fixed income the returns were positive but much more muted, roughly flat to positive in the investment grade. High yield did well and convertibles did well on an absolute basis, because they have more equity risk in them.

Putting it all together, if you turn to page 10, look at the top of the page, on the left, I want to point out the number $52 billion in assets as of the end of September. And on the bottom left you will see that the quarter, the last three months as well as the fiscal year date, which will be the same number throughout the report because first quarter, had a very strong first quarter, returning 4.86 percent.

And not only was it a strong quarter on an absolute basis, but it was a strong quarter on a relative basis, as I will describe in a moment.

And the one year number rolling for the period ending September was over 12 percent, also strong on a relative basis.

The three year number was over 10 percent. That was behind the policy benchmark, and we'll go through that in a little bit, but the five and ten year numbers were over 8 percent and 7 1/2 percent respectively.

Next two pages, pages 11 and 12, you saw last month, we'll have an update for October. But if you turn to page 12 you'll see the overweights -- I'm in the quarterly report -- to go back to page 10, on the left you will see that the returns for the quarter were very strong on an absolute basis, returning nearly 5 percent; but not just on an absolute basis, was ahead of the benchmark as well. And for the one year return, over 12 percent was also well ahead of the benchmark, and I will go through why in just a moment.

The next two pages show the asset allocation mix, and where we're overweight and underweight, we showed this to you last month. We'll have an update for October in a moment.

On page 12 you'll see that on the left in green we were overweight U.S. Equity, and in the middle in blue and light green we were underweight Core fixed income and TIPS.

So the next three pages are our attribution, and we have the allocation effect and the management effect. And in the quarter ending September, both added value.

And what I mentioned before, you see the allocation effect of positive 32 basis points on page 13, the overweight to U.S. Equity which did very well, the underweight to Core+5 which on a relative basis did not too well, the underweight to TIPS which on a relative basis did not do well, all helped, and that's why the allocation effect was positive.

As a detractor, any cash we had, obviously, ended in the quarter -- but the good news was we had minimal amounts of cash.

In addition, the management effect was positive because U.S. Equities did very well, and Seema will go through that in a moment.

A similar story on page 14, which is the one year number, which has a very strong return of over 12 percent. And the allocation effect was strong for a similar reason, U.S. Equity overweight helped because it did very well; Core+5 underweight and TIPS underweight didn't do very well and were underweight.

The management effect was negative mostly because of private equity. And for the three year number, the allocation effect was net of zero, the overweight U.S. Equity offset the cash, the effect of having cash balances during that time. And the negative management effect was as a result of negative returns in private equity.

The breakdown of these effects are on pages 16 and 17.

My last point, unless you have questions before I turn it over to Seema, is to turn to page 19, which shows how this fund did versus other large public funds. On the left is the quarter.

Teachers is the blue dot. A return of 46 placed you just below the median in the 52nd percentile, and the one year return of 134 placed you in the 65th percentile, but then your 1061 was in the 35th percentile, as was the four year number, and the five year number is in the top quartile.

So these numbers and strong numbers we have seen contributed and definitely added value to the fund and contributed to where we are today.

Unless there are questions, I will turn it over to Seema for equities.

MS. HINGORANI: Thanks, Martin.

If you turn to page 22. This is Teachers' U.S. Equity allocation, so about 42 percent of the total fund. As you can see in the pie chart, most of the money is managed passively; so over 95 percent of the U.S. Equity money is managed passively.

But the good thing in addition is that the allocation within the passive has helped us. If you look at the column index return, the actual return, the difference column.

So, as Martin mentioned earlier, the Russell 3000 up over 6 percent in the quarter, which is a very strong number. If you scroll down a little bit you see the Russell 2000 fund up over 10 percent in the quarter.

If you go down a little bit more, in the mid cap S&P 400 index, up close to 8 percent in the quarter.

You might remember we have been overweight small cap, we have been overweight mid cap and underweight large cap. So that really helped us there, which is great. And on top of that our active managers did well. So it's a nice combination that helped us in the quarter and also in the trailing twelve month numbers.

If you then turn to page 30, this goes to the international allocation. And if you look at the pie chart to the left, pretty much the opposite to what we have done in the U.S., where Teachers allocated most of the money to active; so about 75 percent active, 25 percent passive.

And again, if we look at those few columns, look in the index return column -- and Martin mentioned this earlier -- scroll down to the passive EAFE, up close to 12 percent. Passive EM -- that's a misprint --

that number should be closer to 6 percent, so in line with the U.S.

I want to point you to number on this page that's quite interesting. If you look at the EAFE small cap in the middle of the row, up close to 15 percent in the quarter. You might remember that one of the things we wanted to do when we implemented with the board, when we did our new EAFE search we thought it was important and valuable to have an allocation to small cap EAFE, which we did not have before.

And so now the Teachers board and system has this allocation to small cap, and so far so good, it's helping us.

If you turn to the next page, 31, we'll talk about the EAFE markets more specifically. So, it's about 9 percent of the total funds. In the trailing three months of the quarter, if you look at the purple bar versus the yellow bar, Teachers outperforms by about 50 basis points.

More importantly, if look at the active EAFE, which is the blue bar, relative to the yellow bar, even doing a little better. So your active managers are doing well for the quarter. And if you look at the trailing 12 month period, they're also doing well for us for that period, outperforming by 100 basis points, roughly. So, so far so good.

If you then turn to page 36, this is emerging markets. One thing I will point out, this will be the last time you see the custom index only versus the passive EM, because the board approved to have the passive EM up against what BlackRock is managing, the custom BlackRock index, not the FTSI index. So that will be cleared up as of October. In fact, you'll see that in the monthly numbers.

In any case, if you look here, about 8 percent of the total fund, the total EM, which is the blue bar up against the yellow, a little behind but basically in line. But if you look at the purple bar which is your active EM managers versus the yellow bar, doing slightly better. Over the twelve month period it's slightly behind, but you might remember also we did a brand new search in emerging markets, so we have new managers, so that should start to impact those longer term numbers.

If there aren't any other questions for me, I'll turn it back to Martin.

MR. GANTZ: Please turn to page 39, which shows the overall fixed income allocation. And the light blue shading shows that more than half of the portfolio is in the Core investment grade fixed income program, which is further broken down on page 40 into its three sub components. I want to draw your attention to the over/underweight column, which we've had for the past few quarters, and you will see we've been underweight Treasuries and overweight spread sector.

It shows here we're underweight investment grade credit. Two comments on that. Number 1, we were overweight before, but the underweight is becoming an issue because this is a market weighted benchmark and it's more corporate issuance. But we also did some rebalancing, which Seema will talk about later, and we did put some money into this sector, so we're now overweight in this sector, as well.

So we are intentionally overweight the spread sectors and underweight Treasuries. And when you look at the column next to them, the index return versus actual return, you'll see that was a good move in the quarter because Treasuries were down because interest rates were up and spread sectors were positive. So that added value.

In addition, the managers themselves added value, and that's in the difference column. Of the fifteen managers, eleven beat the benchmark. And of the four that underperformed, all of them were only a few basis points away. And even over one and three year periods, for instance the three year period, of the fourteen managers, the two managers that were not ahead of the benchmark were behind by less than 10 basis points. So the program has done very well, as you will see on the next page, which show returns.

I can't compete with Seema's 15 and 20 percent returns, so we adjusted the scale to make that look --

(Laughter.)

And for the quarter the returns are 82 basis points, and that was ahead of the benchmark of 63. For the one year number the returns were negative, and that's because of rising rates. And while we don't want to see negative returns, they were ahead of the benchmark by 90 basis points, and that's really when you want to be ahead of the benchmark, because that does mute the negative returns.

And it helped the longer term results as well, which were all ahead of the benchmark and in the 5 to nearly 7 percent range.

TIPS returns are on page 42. And the quarter results, these are very similar to what Treasury numbers would look like. So the quarter was slightly positive and ahead of the benchmark; but the one year number was negative and a bigger negative than the

Core+5 because it has a longer duration, therefore higher interest rate sensitivity -- when interest rates go up prices go down -- and ahead of the benchmark.

For the three year number pretty much on top of the benchmark of 4 percent and longer term about 5 to 5 and a half percent, slightly ahead of the benchmark.

High yield numbers did well and lived up to its name for the quarter, with 2 and a quarter ahead of the benchmark. This was, as I mentioned in my opening comments, investors again looking for risky assets because they felt the Fed was on hold and it was safe to buy. And spreads compressed and returns increased.

So for the year the return was 674, which was approximately the coupon, but that was ahead of the benchmark by nearly 100 basis points. The three year number of almost 8 and a half percent is higher on an absolute basis, 25 basis points behind the benchmark. As you remember, we did high yield on hold, the underperforming managers out, and that's why the more recent numbers we feel are better. The long term numbers are good on both an absolute and relative basis.

Convertible bonds on page 44. And here we have three managers. So you will see the returns were high on an absolute basis in blue for the quarter of 41, but you will see there significantly below the yellow benchmark, which is the overall convertible benchmark.

You will see we have this, I'm told maroon color benchmark, and that benchmark is our custom index, which is the weighted average of each of the individual managers' returns versus the benchmark.

In the quarter, of our four managers, three beat the benchmark. So that's why we were actually ahead against the weighted average of their benchmarks. The yellow benchmark is the overall universe of convertible bonds that none of our managers managed to. So in short periods of time, certainly the bull market will underperform, and I will give you an example why.

There are -- we've been talking to the index providers about it, and they have not changed the way they construct their benchmarks. Convertible bonds benchmarks are very sensitive to equities. If equity markets go up, a name in the index is 2 percent, can in a few months rise to 10 percent, because the underlying stock goes up. The benchmark provider does not cut back that percentage, it goes to 10 percent.

There are very few managers that would prudently own a 10 percent position in a portfolio, they would naturally cut back at 3, 4 or 5 percent. Most of our managers have a 5 or 6 percent rule that they cap out.

So when you do have a bull market as we had in equities, and therefore convertible bonds, versus the overall index, the managers generally will underperform. But as you see the longer term numbers, it starts evening out when you take into account the 2008 downturn.

The reason we underperformed for the five year number, you will remember we terminated the manager earlier this year that underperformed, and those numbers are included in those longer term numbers.

Opportunistic fixed income has been the star of fixed income for a while and was this year as well. On the left of the quarter was 178 versus a 10 percent annual return, slightly behind and versus the global high yield benchmark plus 3 percent behind the benchmark; but for the year was up 1379, well ahead of either of the benchmarks, and for the three year number just about 10 percent, and five years over 12.

As you know, we're at an inflection point where many new accounts are coming online, and they've been doing very well.

And unless there are any questions, I will turn it over to David Morris for ETI.

MR. MORRIS: Good morning.

Turning to page 13 of the board book on the returns page that -- you will see for the third quarter the ETI program essentially kept pace with its overall benchmark, and PPR continued to do very well, beating its benchmark.

Turning to page 7 and 8, PPAR --

MR. McTIGUE: David, is this the regular book?

MR. MORRIS: Teachers purchased $5.1 million in loans to create or preserve 279 units of affordable housing. And in the third quarter Teachers made commitments of approximately $8 million, and that will cover 276 units of affordable housing. The market value of the Teachers portfolio is $119.7 million.

We had an interesting investment that we made in the third quarter that will participate in the development of an ambulatory care center at a local Manhattan hospital, that will create overall 5,200 jobs, 100 percent of which will be union jobs.

MS. HINGORANI: Any questions?

Thank you.

MS. CALDAS: Starting on page 26 of the booklets. This is the second quarter review for private equity. You will see that table in the middle of the page right there, I will start from there.

Again, to further review as of the second quarter, you have 136 active partnerships and that's across 91 relationships altogether.

Total fund commitment was $2.1 billion; total capital contributed was 3 and a half billion; distributed back to you was $2.1 billion; and your market value at this point is $2.3 billion.

Your total value multiple stayed the same as the previous quarter, 1.3 times. And then your since inception IRR wen up slightly at 8.73 percent.

If you turn to page 29, just for a quick second, you'll see how you did against the benchmarks. We'll flip back in a second --

You'll see at the very bottom the since inception is the most meaningful to follow, the dark bar is you, Teachers, 8.73 for the private equity portfolio of Teachers, just underperforming slightly against the venture economic pool, which came at 11.24 percent.

And then the Russell 3000 plus -- basis points, which is the other lower bottom bar there at 11.29 percent. Part of the function of that against the public markets was a rally of public markets that started in 2012 and continued to the earlier part of 2013.

If you quickly go back to page 27, you'll see the ten new commitments we made in the second quarter of 2013. And ten of them, one of them again is Landmark Private Equity partners that we came in at $113 million, and then another sidecar to that very fund of a co-investment of $37 million.

So it was really more like four relationships to the Core program, and then five relationships to the emerging manager. That's outlined for you. The total is $69 million. Very excited about that.

If you turn to page 32 after that, you will see which strategies are performing for you. The top four performing strategies for you in the second quarter, the first one was special situations and turnaround, great opportunity for distressed in these days of fluctuation.

So these came in at 17.8 IRR, and funds really leading the charge here for you all were existing relationships like Aries, and then a new relationship that you all went into over the past year was Platinum, which is doing phenomenally well for a 2012 vintage, already returning more than half of their fund back to their investors. So, great, great fund.

Following that strategy was growth equity that came in at a 14.6 percent IRR. A great name there that is really performing well for you is Vista, which is an existing relationship for you and also we went into it again with the re-up, and you had more exposure to the emerging managers program. So a great exposure there and more exposure to come.

The third strategy that's working well is secondary, which came in at 14.3 percent IRR, and great names again there for you, Landmark Lexington, Axa; Axa was a new relationship for you. You should know that they have since spun out of their Axa corporate holding and are now an independent fund called Arden. And Lexington and Arden will be coming back on the market in January, so maybe you'll see them again, they've been great performers for you, great secondary right there.

After that you have the fourth performing, great performing strategy for you, is the corporate finance buyout, which is your largest exposure. It came in at 9.8 percent IRR. And of those strategies under corporate finance, the best performing for you was the large buyout, which came in at 16.2 percent.

And the great names behind that are both existing and new relationships, Apollo, you've got Carlyle that's done very, very well for you. And a new relationship is CVC, you'll see more growth happening there as they continue to mature.

Then on page 33 is where I'll leave you, which is one of the more important sights. It shows all the cash coming in, the cash going out over the previous quarters. And Hamilton Lane was nice enough to stick in the next quarter for you as well, so you'll see a nice trend happening.

So the bar charts there, the chart on the top, the darker one with cash going out is your contributions, and the ones at the bottom are distributions, cash coming back. And for the second quarter you had a total of 79.6 that's been distributed back.

And you will see they gave a little sneak preview of the third quarter, which started to progress higher, $130 million after that. You will see in the fourth quarter after that, a nice distribution coming back, as more funds are coming back to the market and getting more liquidity, you'll see a nice distribution bar chart coming out with the next quarterly report.

So that sums up the private equity quarterly report, unless there are any questions.

CHAIRPERSON AARONSON: Thank you very much.

MS. NELSON: Good morning. I'll continue on to real estate. We'll remain in the board book, and real estate starts in the next section. It starts on page 47, but as you can see, the top corners of each page is obscured. So from this point forward, if you don't mind, I'll refer to the page numbers on the bottom. So this page 47 has a page 1 on the bottom, and that's what we're going to work from.

To give you a lay of the land of what is going on with real estate, we're going to be talking about the second quarter, I'll try to fast forward to let you know what's happening right now. There is a renewed sense of confidence and interest in real estate globally.

And the recovery, of course, started right here in the U.S. You know that we've talked about probably since 2009, it seemed llike it got started and then it stopped, it seemed like it got started again.

I think we're probably at a point where there is some definite momentum, and I would point to an increase in transactions in global real estate. Just for the second quarter of 2013 there were $120 billion worth of commercial real estate that changed hands. That was a 10 percent increase over the year before.

And for the whole year it's estimated that perhaps the real estate transactions might even cross the $500 billion mark. We will see. But TRS certainly also has managers both in Core plus and opportunistic and core strategies hard at work. And this type of environment, depending on the life cycle investment, they're either buying new opportunities or selling into this very strong market that we have.

If you look on the left side of page 1, they talk about your portfolio in particular. There's a 6 percent allocation to real assets, as you know, and there's a plus or minus 2 percent rebalancing range within that. At second quarter TRS was about $50 billion. The real asset allocation based on that is about $3 billion.

The real estate portion of the real asset portfolio, the market value is $1.1 billion. That reflects a funding rate of 2.2 percent. We have about $530 million that we had committed, but the managers have not drawn down yet.

So overall our exposure to the real estate program is $1.6 billion. That's comprised of 38 investments and 30 managers.

For the second quarter in particular, the portfolio delivered a return of 3.2 percent. On a one year basis it was 11 percent. This is all net of fees. And on a three year basis it was 17.2 percent. The return since inception for the Teachers program on a net basis is 8.6 percent. Our since inception IRR is 7 and a half percent, with an equity multiple of 1.2.

Now, down on the bottom on the right there is a graph. And unfortunately, there are two bars. We will work better on the shading. Let me tell you what it says. What it says is, in terms of your benchmark, and your benchmark is Odyssey plus 100. And we applied that 100 basis points premium in recognition of the fact that we have both Core strategies and Non-Core strategies at play.

So, in terms of how the portfolio has performed over an extended period of time, the since inception of 8.6 that I talked about before is 150 basis points above that benchmark. We're a little under for the quarter and for the year. But again, the benchmark is based on the full market cycle of about ten years. So at every interval we'd like to hit it, but sometimes we might slip a little under.

In terms of our investment activity for the quarter, we made a commitment of $70 million to an industrial fund, KTR. We also since second quarter closed that deal. We've also closed on DISCO west. So through the fiscal year we closed on about $103 million of real estate deals.

If you turn over to the next page, it kind of gives you a little more insight into portfolio construction. So we talked about the fact that the exposure to real estate, which is comprised of the market value of what we have in the ground plus the outstanding commitments, about $1.6 billion.

If you look at how that is comprised in terms of your Core, Core plus strategies, that's 39 percent, a little under our policy weight of 40, but still works; and 61 percent in Non-Core strategies. In the Non-Core strategies that would include your emerging manager investments.

Moving on to the next page, page 3, it gets a little more granular. If you're interested in what parts of the portfolio are driving the performance, is it Core, Core plus managers or Non-Core managers? This page gives you that information.

So the first half of the page discusses the fact that we have about 13 Core plus investments, and they delivered a 3.2 percent net. And your Non-Core managers, of which we have 21, that component of the portfolio delivered a return of 3.3 percent net.
And there is a graph on the bottom.

On the following page there is a different take. This is a great visual on page 4 that tells you who is driving your performance for the quarter. I know that real estate is a long term investment and quarterly stuff may not mean as significant. But for those that want to see the same chart for the one year and three year, they are available on page 10. But since this is a quarterly report, just want to show you which investments have been driving the return for the quarter. And you see it is Blackstone Europe 3, Blackstone 6, and Carlyle 6.

And this page also will give you some highlights of what those particular managers are doing in those funds that are driving your performance for the quarter.

One of the ways, in the next page, that we help to retry to mitigate risk in the portfolio is to monitor the diversification by property type and by geography. And we continue to work on that.

The following pages is just some detail on some more market information. Also on page 8 is a report card, if you will, if you were interested in seeing how the portfolio is performing vis-a-vis the IPS and those compliance metrics that we all have approved in the past.

If there are any other questions or comments on real estate? We will talk a little more about real estate later on in the agenda.

MS. HINGORANI: Thanks, Yvonne.

That completes our quarterly report.

If there aren't any questions on that, I will turn it back to Thad.

MR. McTIGUE: If there are no questions on the quarterly report, do we want to do the October monthly and continue with KPP?

CHAIRPERSON AARONSON: Finish the public session.

MR. McTIGUE: We'll make October brief.

MS. HINGORANI: Yes. More good numbers to talk about.

So, everyone's got their monthly performance review book. If you turn to page 34 in your book. These are the October numbers. I will go through November as well. But just a quick update on what's been going on in November.

The stock market continued to do well in November, you've got the U.S. markets positive, you've got the developed markets positive, you've got EM emerging markets slightly down. Basically what you've seen is a bumpy ride in November, as everything's been playing out, the Europe Central Bank surprising by cutting interest rates by 25 basis points. And on the other end the Fed in the U.S. saying we may taper now, not may not taper now, when are we going to stop the bond buying program?

Everybody is speculating. Payroll numbers come out strong, so everyone thinks the Fed's going to start and stop. And so a bumpy ride, but it was positive for us. I would expect December to be similarly bumpy, but I hope for another positive month.

You can see in October, page 34, going down through some of the numbers here, the Russell 3000, U.S. stock market up over 4 percent. The EAFE markets up over 3 percent. Emerging markets in that month of October up close to 5 percent.

You down a little bit more to Core+5, up over a percent. The high yield index up over 2 percent, close to 2 and a half percent. TIPS up about 55 basis points. And then the REITs index up over 4 percent, so very strong month in October.

November, I can give you those numbers, matching up to what we just went through. The Russell 3000 up in November, 2.9 percent, close to 3 percent in the month. EAFE up about 81 basis points. Emerging markets down about 1 and a half percent. Core+5 down about 65 basis points, the high yield index up 32 basis points, TIPS down 1.2 percent, and then REITs down more, given what's going on with interest rates -- down 5.4 percent.

Again, if you add up what happened in

November, we're actually looking up a little bit for the month. So that's very good.

If you then turn to page 30, it goes through the asset allocation and how it's set up. Martin mentioned this a little bit earlier. If you look at the green bar to the left, which is your U.S. Equities, and then the blue bar to the right, which is your Core+5, what we've done in November is taken advantage of the strong U.S. stock market.

And we sold some of our U.S. Equities and we added to Core+5 in the investment grade category. So now we're actually back within the ranges, and you will see that going forward. That's what we did in November, and the cash amount is roughly where it is now, actually a less than $300 million. So that's good.

If you then go to page 35, this the contributions to return. So for the month of October the Teachers portfolio is up close to 3 percent in the month. And then fiscal year to date through October is up close to 8 percent already. It's a great result.

If you add in November, which we just talked about, which is roughly another 1 percent, the Teachers fund is up nearly 9 percent fiscal year to date. So very strong.

If you then turn to page 27, this is

Teachers --

CHAIRPERSON AARONSON: Did you say we're up 9 percent in only five months?

MS. HINGORANI: Yes.

(Laughter.)

MR. NORTH: That's good.

MS. HICKEY: Page 27 is the 12 month Teachers performance in market value. So over the 12 month period, the pension fund is up $8 billion. And so at the end of October you can see here the fund here, $3 billion call it, I can tell you as of December 2 of this year, the Teachers fund is at $53.5 billion. So we keep moving forward and up, a good thing.

The next page, 28, shows the ten year numbers. And so now the ten year return for Teachers as of October 31 is 7 and a half percent. So that's good.

And again, as of December 2, the Teachers fund is up to $53.5 billion. So very good so far, fiscal year to date, and hope it continues.

If there aren't any questions, I'll turn it back to Thad.

MR. McTIGUE: If there are no further questions the Comptroller's Office has completed its business for the QPP and public agenda.

CHAIRPERSON AARONSON: I see no questions.

Go to the variable public. Thank you.

MS. PELLISH: Good morning. We have three items on the public agenda, third quarter Passport October monthly report and our estimate for November. We have distributed in advance and you have hard copies of the third quarter report. I'm not sure there is any real need to go through it, because we've already presented September's performance.

I call your attention to the fact that this report contains much more detail about the holdings of the various Passport funds, more detail about the formal performance. I'm happy to address comments or questions. But since this performance data has already been reviewed at a prior meeting, I'm not sure it makes sense to take additional time.

Hearing no questions or comments, let's turn to the October monthly report. And on page 1 the total assets for the diversified equity fund are up over $11 billion as of the end of October. That's up about $300 million from last month.

The returns, as you know, continue to be robust in October. So if you turn to page 2, you can see that the index fund was up over 4 percent for the month alone. The and index fund component of the portfolio for the year to date is up 26 and a half percent.

So, we will see additional good numbers in November and by December starting out.

As you would expect in this kind of market where the public equity markets are rolling ahead, the defensive strategy tends to be lower risk, and to let out in a sharply rising market. It has lower returns than the broad U.S. Equity market.

The active manager composite for the month didn't quite keep up, but it's worth noting on the year to date basis the index is up 26 and a half percent. The active manager, the active equity manager composite is up over 27 percent. That's not necessarily something you would expect if the index is rolling ahead in market cap index, doing so well.

At any rate, if we go down to the international portfolio, the defensive composite, the international portfolio underperformed for the month but it's still a strong performance for the month, on an absolute basis a 3 percent return.

It's worth noting, although the international component of the portfolio has been a drag on returns for some time now, for the quarter it actually added significant value. The international composite was up almost 9 percent compared to the

Russell 3000 up 5 percent. So perhaps you'll see it reverse in that.

For the month of October in aggregate the portfolio was up 3.8 percent, again, slightly behind the Russell 3000 due to the defensive and international components.

Unless there are any questions, I will ask you to turn to the other Passport funds.

Socially responsive is continuing to do well.

The bond fund, Variable B, is as you would expect, treading water. The benchmark and the fund are up about 30 basis points for the month. And for the year to date in significant contrast to the diversified equity fund, this is up 42 basic points, ahead of of the benchmark but a difficult time for this kind of strategy with low yield and risings rates.

The international equity fund, Variable C, is on page 2. That fund was up 2.85 percent for the month, somewhat behind the EAFE index against which it's measured. It lags because of one manager, Walter Scott, because it's a fairly concentrated manager, but over the long term it's done well. We're not concerned about that. That's the relative returns for Variable C.

And as we were mentioning, look at the

inflation protection fund, Variable D. So the PIMCO asset fund is up slightly over 2 percent for the month. This was several hundred basis points ahead of the TIPS benchmark, but as we highlight in the quarterly report, this all asset fund, although it does have a healthy allocation to bonds and to TIPS, also holds 20 percent in equity strategy. So it's a much more diversified strategy than the TIPS benchmark might imply. It's really designed to have a diversified basket of inflation hedging strategies.

And so, for the year to date, this portfolio, because it does have a significant allocation to bonds, up 1.6 percent but well ahead of the TIPS benchmark, which lost significant ground for the ten month period.

Finally, the socially responsive fund, which is Neuberger Berman, was up over 4 percent for the month, slightly behind the benchmark S&P 500 index. For the year to date this fund was up over 31 percent, about 600 basis points ahead of the S&P 500.

You may recall that last year this fund lagged, so it's making up ground. But over the two year period it's now ahead of the benchmark. So a very strong returns for this portfolio over the past year.

If there are any questions I'm happy to

address them. If not, I've concluded my remarks.

On the month to date, we also have expected performance in November. Everyone should have that page. As mentioned, another strong month for the U.S. Equity market, also the non-U.S. Equity market. So based on these benchmark returns, we would expect that the diversified equity funds to be up 2.4 percent for the month. And for the calendar year, for the 11 months of the calendar year to date, up 27 percent.

The bond fund, again, very anemic returns given what's going on in the bond market. The PIMCO all asset fund was negative for the month, and for the calendar year to date slightly positive. And the socially responsive equity fund lagged the S&P 500 but still was ahead of the benchmark for the year to date period. So another good return for equity markets of November.

That concludes our comments on the public agenda for the Passport funds.

CHAIRPERSON AARONSON: Thank you.

Any questions?

Thank you very much.

Now we move to executive agenda.

MS. MARCH: I move that, pursuant to Public Officer Law Section 105, that we go into executive session to discuss the proposed acquisition, sale or exchange of securities held by the Teachers' Retirement System.

CHAIRPERSON AARONSON: Is there a second?

MS. ROMAIN: Second.

CHAIRPERSON AARONSON: Any discussion?

Seeing none, all those in favor of going into executive session?

(A chorus of "Ayes.")

Any opposed?

We are now in executive session.

I think we got as far as a second on the motion --

(Laughter.)

We're ready for a vote.

All those in favor of leaving executive session say "Aye."

(A chorus of "Ayes.")

They ayes have it.

We're now out of executive session.

MS. BEYER: I'd like to recommend a documentary, "Money for Nothing," I saw a screening at the Museum of American Finance. It's right up your alley. It's a history of the Federal Reserve. It talks about bubbles over a 100 year history. It's quite interesting and educational. I think everybody might find -- it came out in September, a documentary.

CHAIRPERSON AARONSON: Thank you.

We're now out of executive session.

Susan, give us a rundown of what was done.

MS. STANG: In executive session of the pension fund a manager update was presented.

A presentation on a real estate investment was reviewed and discussed. A consensus was reached, which will be announced at the appropriate time.

In executive session of the variable fund three manager updates were presented.

CHAIRPERSON AARONSON: Thank you.

Does anybody have any other business they would like to bring before the board?

I would like to say this is the last meeting of the investment committee before the holidays. All the members of the committee, and all the staff that does such a great job of protecting the financial future of teachers in New York City, I want to thank you all and wish everybody -- it's not politically correct -- but I wish everybody Merry Christmas and a Happy New Year, Happy Chanukah, Happy Kwanzaa; and I think I covered the bases.

(Laughter.)

MR. GANTZ: Chanukah gelt is in here.

(Indicating folder.)

CHAIRPERSON AARONSON: Motion to adjourn?

MS. MARCH: Motion.

MS. BEYER: Second.

CHAIRPERSON AARONSON: Discussion?

All those in favor?

(A chorus of "Ayes.")

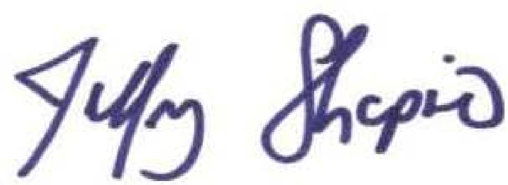
We're adjourned.

(Time noted: 11:30 a.m.)

C E R T I F I C A T I O N

I, Jeffrey Shapiro, a Shorthand Reporter and Notary Public, within and for the State of New York, do hereby certify that I reported the proceedings in the within-entitled matter, on Thursday, December 5, 2013, at the offices of the NEW YORK CITY TEACHERS RETIREMENT SYSTEM, 55 Water Street, New York, New York, and that this is an accurate transcription of these proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____________, 2013.



JEFFREY SHAPIRO